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ABSTRACT

This self-instructional module on success in small business is the first in a set of twelve modules designed for small business owner-managers. Competency objectives for this module are (1) ability to evaluate chances of success based upon one's personality and knowledge of good business practices and (2) ability to determine one's commitment to small business success. Provided are information sections on the realities of small business management (the rewards, the sacrifices, why so many failures, the successes). Also included are learning activity which is a checklist for evaluating one's chances of business success, three pamphlets from the Small Business Administration ("Factors in Small Business Success or Failure," "The Enterprising Man," and "Personal Qualities Needed to Manage a Store"), and a script from a cassette tape designed for use with this module. (The final report of this project is available as CE 017 858.) (JH)

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PURPOSE

What have I gotten myself into? What does it take to survive? Is it worth it? Answers to these questions may be clearer when you finish this module. You will investigate the rewards and risks of small business ownership. A discussion of the personality characteristics and business practices of successful owner-managers will provide insight into the real world of small business management. Finally, you will be given an opportunity to decide if you have what it takes to become a successful small business owner-manager.

COMPETENCIES

Upon completion of this module you will be able to:

1. Evaluate your chances of success based upon your personality and knowledge of good business practices.

2. Determine your commitment to small business success.

INSTRUCTIONS

Before reading the material which begins on page 2, listen to the cassette entitled "Success in Small Business--Luck or Pluck"

SCRIPT

SUCCESS IN SMALL BUSINESS--LUCK OR PLUCK

INTRODUCTION:

Success in small business is the dream of many people. The rewards of owning and operating a small business attract thousands of people each year. Some of these new owner-managers achieve success; others fail rather quickly. Why do some businesses succeed and others fail? Are there secrets to success? Let's hear what Frank Walker, long time owner of the Plainfield Shoe Store, has to say to Sue Perez about the realities of small business management. Sue is thinking of starting her own business.

BACKGROUND: FRANK WALKER'S SHOE STORE AT CLOSING TIME.

SOUND EFFECT: TINKLE OF A BELL AS SUE ENTERS THE STORE.

Frank: Sue come on in. Would you please lock the door and I'll finish closing up back here. Thanks.

Sue: Sure thing, be glad to.

SOUND EFFECT: DOOR LOCKING, MONEY BEING COUNTED.

Frank: Well now, why don't we sit over here. Your husband tells me you're considering starting your own business.

Sue: Yes. I'm very serious about it and thought maybe you could give me some pointers. Bob suggested I talk to you.

Frank: Not starting another shoe store? (LAUGHING) I've got enough competition.

Sue: Oh no, Frank. I don't know anything about shoes. I'm considering opening a yarn shop.

Frank: That sounds interesting. I've heard many people say we need a yarn shop in this area. If customer demand exists for yarn, you might do alright.

Sue: I certainly hope so.

Frank: Sue, the most important point I can make is to be sure you know what you're getting into. You need to know the realities of small business management; the rewards and the sacrifices.

Sue: That's why I came to you. You've been in business here for as long as I can remember. You are financially well off, a respected member of the community, and your own boss. I'm really hoping you can give me some good avice.

Frank: Thank you for your kind remarks. There's probably even some truth to them.(LAUGHING) Seriously though, you've hit upon some of the reasons most people go into business for themselves. As the owner of my own business I have achieved some independence. Not in the sense that I don't have anybody telling me what to do--why customers, employees, bankers, and suppliers are constantly telling me what to do--(CHUCKLING)--and occasionally where to do.

Sue: Oh, Frank!

Frank: No, that's right. But I do get to make the decisions based upon what they're telling me. That's what I like. Another reward is the satisfaction of successfully meeting challenges. You'll run into a lot of problems, but when you come out on top you've proven something. You're right about the financial rewards, they are nice and I can spend the profits--if there are any--the way I want. And I do enjoy some status as an independent business owner.

Sue: You've really convinced me. I want to run my own shop.

Frank: Now hold on a second. I want you to listen to the whole story. Sue, the rewards don't come easily. When you first get started you'll have to invest some personal money in the business. Bankers are not going to risk their customer's money unless the owner of the business is willing to risk investing some of their money.

Sue: Yes, you are correct. We sometimes forget that banks have an important obligation to their customers.

Frank: You surely wouldn't want them lending your savings account to someone who wasn't willing to risk their own money in a new business.

Sue: No way!

Frank: And another thing, you and your husband should be prepared to live on a reduced income for awhile. Most businesses are not an instant success. Until sales volume develops and you can control expenses the profits are apt to be very small--or there may not be any at all. Any income you have from other sources, like Bob's salary, may be needed to pay bills for the shop.

Sue: I haven't really thought too much about that. I know there will be long hours, but I haven't given much consideration to the financial pressure that my family may experience.

Frank: The hours are long, but the hardest thing is being on call 24 hours a day, 365 days a year. It seems something always goes wrong on our wedding anniversay or in the middle of our first vacation in years. This business can be a real pain at times. But I love it.

Sue: I can tell you love your work, it shows. I just hope I can be half as successful as you.

Frank: Sue, I'm going to let you in on a little secret. It's not really a secret, but not many people know about it. This is not my first store and Madge is not my first wife.

Sue: Oh, really!!

Frank: Like so many people, I learned about the realities of small business management the hard way. About twenty years ago I started a business. It struggled along for about 18 months. My wife and I struggled for about a year. The financial pressures and personal sacrifice was too much for our marriage.

Sue: I'm sorry to hear that.

Frank: Well, it taught me a valuable lesson. When we started that business we didn't have much money, so we lived on a shoestring. When the customers didn't come flocking to the door, the bill collectors did.

Sue: I guess every cloud has a silver lining, huh?

Frank: Since then I've sort of studied business success and failure and I found that besides money problems, the owner's lack of managerial competence is the greatest reason for failure. The owner also has to be able to get along with people and have some "stick-to-it-tiveness."

Sue: I think I understand some of the reasons businesses fail. Why do some succeed?

Frank: I think most importantly, the owners know that a real business opportunity exists. You may want to ask yourself why there aren't any yarn shops in this area. You should be certain that demand for your product or service exists before you get started.

Sue: I never thought of why there aren't any yarn shops around, I'll have to look into that.

Frank: Good. A second reason for success is that the owner is persistent, enthusiastic, ambitious, and imaginative.

Sue: Whew! Anything else.

Frank: One last thing and then I'll get down off the soapbox. The successful people I've known use modern business practices.

Number one, they practice basic marketing principles. They make it easy for their customers to buy. Number two, they know how to manage their time and their peaople. Number three, they keep adequate records. Sales, payroll, bank accounts, whatever is necessary to keep them on top of their business. Number four, adequate financing. I've seen many potentially successful businesses fail because they didn't have enough money to make it through slack sales periods. And the last thing is that they consult with insurance agents and lawyers to reduce unnecessary risks. Any questions?

Sue: Plenty!! But let me go home and see how much of this sinks in. I'm sure I'll need some advice later on, if I may ask you to give it to me.

Frank: Be glad to. But if you start a shoe store, I'll never forgive you.

Sue: Oh, Frank.

Frank: Here I'll let you out--(SOUND OF DOOR BEING UNLOCKED) If I can be of any help let me know. Say Hi to Bob for me.

Sue: Sure will, thanks again Frank. Bye.

Frank: Good Luck.

SOUND EFFECT: DOOR CLOSING

CONCLUSION:

As you've listened to the discussion between Frank Walker and Sue Perez, these points should have surfaced:

1. The rewards are plentiful: pride of ownership, independence
2. Sacrifice is necessary: financial risk, and long hours.
3. Success is dependent upon personal characteristics of the owner and the knowledge of good business practices.
4. Failure of new businesses is common.

Now let's turn to page 2 and learn more about the qualities needed for success in small business.

THE REALITIES OF SMALL BUSINESS MANAGEMENT

THE REWARDS

Owning and operating a small business can be an exciting, challenging, and rewarding experience. Many people, at one time or another, have dreamed of going into business for themselves. Listed below are a number of the more important reasons why people start their own firms.

1. To achieve independence: Many persons are tired of working for somebody else. As owner-managers they are their own boss, making all the decisions.

2. To accept a challenge: Small businesses operate within a highly competitive environment. Owner-managers are responsible for the success or failure of their firm. They have an opportunity to try their own ideas, proving their ability.

3. To make money: As the owner-manager of a business, the profits represent a return for the great amounts of time, effort, and money invested in the business. The profits are controlled by the owner to reinvest in the business or to satisfy personal desires.

4. To gain status: Small business owner-managers achieve a certain degree of status or prestige within their communities. Owner-managers achieve prestige because they are viewed as being independent, willing to accept challenges and take risks.

Although the rewards of small business ownership are great, they are only one side of the story.

THE SACRIFICES

The rewards of small business ownership do not come easily. Sacrifices must be made and this requires a strong personal commitment. An explanation of the most frequently required sacrifices follow:

1. Investment of personal money: Banks and other lending agencies generally will not risk their money unless the owner-manager is willing to invest personal savings or provide personal assets to back-up loans. Bankers measure your commitment by what you are willing to risk.

2. Reduced income: Until the business develops sufficient sales volume, a substantial portion of any profit must be reinvested in the firm. In addition, income from business profits may fluctuate with the seasons and/or business cycles. A new owner-manager may need to adopt a lower standard of living.

3. Long hours: The owner-manager must be prepared to work many long hours. This is especially important during the first few months of operation when the business operations are being finalized and customers are developing an image of the firm from their first impressions.

Sacrifice and personal commitment are important; but hard work alone does not make success.

WHY SO MANY FAILURES?

Small business owner-managers operate within a highly competitive environment. When this is coupled with the relative ease of entry into the retail, service, or wholesale trades, business failures are commonplace.

Of the 400,000 new businesses started each year:

35% fail within 3 years

55% fail within 5 years

80% fail within 10 years

These failures occur primarily because of:

1. Managerial incompetence. "Lack of management skills" is the most common reason for failure of small businesses according to numerous studies. Knowledge and application of basic management skills could prevent the failure of many firms.

2. The owner's personal characteristics: An inability to get along with people (employees and customers) and a lack of persistence in overcoming problems will doom a business.

3. Money problems: Many potentially successful firms fail because they started "on a shoestring" and do not have the cash reserves to overcome temporary reductions of sales volume.

Business failures cause many problems and hardships for the small business owner. The owner-manager who is aware of the causes of failure, as well as the reasons for success, is more likely to survive.

ATTENTION

Please refer to the preferred reading entitled "The Failure Record Through 1975" for more information regarding causes of failure.

THE SUCCESSES

A successful small business owner-manager:

1. Knows when a real opportunity exists: The demand for the product or service has been determined before the business begins.

2. Displays certain personal characteristics: Persistence, enthusiasm, ambition, patience, and imagination are personality characteristics important to success. Management experience is invaluable for the new owner-manager. Courtesy to customers and employees will pay dividends. An ability to perform a variety of tasks, to adapt to change, is important, for no two days will be alike.

3. Uses modern business practices: An awareness and use of merchandising principles, keeping essential records, acquisition of adequate financing, practice of basic managerial and supervisory concepts, and the reduction of business risks through insurance and legal counseling are essential to small business success.

It is important that owner-managers understand the realities of small business management and that they understand themselves. Each module in this series is designed to contribute to your understanding of small business management and help you achieve success as an entrepreneur.

NOTE: Please turn to page 5 and complete learning activity number one.

LEARNING ACTIVITY NUMBER ONE

This activity allows you to evaluate your chances of success based upon your personality, knowledge of good business practices, and commitment to small business success. As you complete the checklist, it is important that each statement be evaluated honestly; shortcomings which are discovered now can be corrected before they cause serious damage to the business and personal hardship to you and your family.

YES	MAYBE	NO	
			BUSINESS OPPORTUNITY
___	____	__	I know the community can support my business.
___	____	__	I understand the strengths and weaknesses of my competition.
			PERSONAL CHARACTERISTICS
___	____	__	I am persistent. I finish what I start.
___	____	__	I have self-discipline. I like to work.
___	____	__	I mean what I say. I keep promises.
___	____	__	I am enthusiastic. I believe in what I'm doing.
___	____	__	I enjoy challenges. I like to try my own ideas.
___	____	__	I am honest. I give everyone a fair deal.
___	____	__	I understand how to provide leadership to others.
___	____	__	I like people. Working with the public is enjoyable.
___	____	__	I like variety. Unexpected developments do not upset me.
			KNOWLEDGE OF MODERN BUSINESS PRACTICES
___	____	__	I know how to merchandise my products or services.
___	____	__	I know the essential business records to maintain.
___	____	__	I know how much money it takes to run my business and where I can get it.
___	____	__	I know how to manage people and work.
___	____	__	I know how to reduce business risks.
___	____	__	I am able to control my business expenses.

LEARNING ACTIVITY NUMBER ONE -- Continued

YES	MAYBE	NO	
			PERSONAL ASSETS
___	____	__	I am willing to invest a substantial amount of my personal savings.
___	____	__	I am willing to mortgage my home.
___	____	__	I am willing to invest other personal belongings.
			STANDARD OF LIVING
___	____	__	I can live on a reduced salary.
___	____	__	I can reduce my regular monthly payments.
___	____	__	I can reduce household operating expenses. (utilities & maintenance)
___	____	__	I can reduce family expenses. (food, clothing, and entertainment)
			WORKING HOURS
___	____	__	I can be at the store during all business hours.
___	____	__	I can prepare the store for opening and closing.
___	____	__	I am willing to postpone vacations and miss other planned events.
___	____	__	My family realizes I must spend a lot of time at work.

Now that you have completed the checklist, review your answers paying close attention to items marked MAYBE or NO. These items may indicate areas of concern which could cause future problems. What can you do to improve your chances of success?

NOTE: Please turn to page 7 and review the preferred reading list.

PREFERRED READING LIST

This instructional module is designed to introduce key concepts regarding success in small business. For a more in-depth examination of this topic area, study the following preferred readings.

SMALL BUSINESS ADMINISTRATION MANAGEMENT RESEARCH SUMMARIES

#145 "Factors in Small Business Success or Failure"

#216 "The Enterprising Man"

SMALL BUSINESS ADMINISTRATION SMALL MARKETERS AIDS

#145 "Personal Qualities Needed to Manage a Store"

DUN AND BRADSTREET

"The Failure Record Through 1975"

NOTE: You have now completed the module requirements. You may wish to review this module or proceed to another module.

Washington, D.C.

SMALL BUSINESS ADMINISTRATION
U. S. Government Agency

Management
Research Summary

FACTORS IN SMALL BUSINESS SUCCESS OR FAILURE

Prepared for the Montana State Planning Board
By *Edward J. Chambers* and *Raymond L. Gold*, Montana State University, Missoula, Montana

HIGHLIGHTS

The businessmen taking part in the study generally agreed that success in a small business is likely to come to the man who has the following traits:

He works long, hard hours.
He has the ability to recover quickly and press on in the face of a setback.
He is competitive in attitudes and actions.
He is willing to take a minimal profit from his business until he achieves a firm financial position.
He masters the technical and social skills his operation requires.

The data suggest that there is a "take-off" or a "slide" point in a businessman's career beyond which cumulative experience of success or failure affects his motivation.

The study reported in this Summary is based on the hypothesis (1) that successful and unsuccessful businessmen differ in their personal attitudes as well as in their applications of business principles, and (2) that the degree of success achieved by a small enterprise can best be explained by reference to both of these factors.

The specific purpose of the study was to find out what business attitudes and practices may be especially related to small business success and failure in the Northern Rocky Mountain Region. The criterion for success was a profit.

ECONOMIC ENVIRONMENT

Certain economic conditions in this sparsely settled area differ markedly from those that prevail throughout most of the country. Montana's economic growth in the second half of the 1950's was well below that of the Nation as a whole.

During this period, changes were taking place in the structure of the State's economy. Most notable was the decline in job opportunities in the mining and primary metals industries.

At the same time, there was a trend toward diversification and larger operating units in the forest products industry. This trend resulted in increased processing, but it was accompanied by the substitution of capital for labor. Thus, although the stability of the industry increased, job opportunities became fewer.

Another factor in the changing economic structure of the State was the continuing exodus from farming. This, in turn, affected communities economically dependent on the agricultural industry.

AVAILABILITY OF THE FULL REPORT

Copies of the full report, titled "Pilot Study of Successful and Unsuccessful Small Business Enterprises Within Montana," may be purchased for $1.00 from the Bureau of Business and Economic Research, Montana State University, Missoula, Montana. Make checks payable to the Bureau of Business and Economic Research Fund.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington 25, D.C.

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BUSINESS OPERATIONS

In general, the successful businessmen who cooperated in the study tended to be more systematic in the conduct of their businesses than the unsuccessful ones. They were more conscious of (or at least more articulate about) such matters as the need to control inventories, the cost advantages of taking allowable discounts, the importance of appraising the market situation, and the circumstances under which expansion would be feasible.

The successful respondents also displayed greater mastery of the technical skills of buying, selling, organizing work efforts, and so on. They were more resourceful in meeting problems, always seeking a new approach if the first course of action proved unsatisfactory. They "bounced back" after business setbacks, trying new procedures and marketing methods and other means of recovery.

The unsuccessful owners showed less resilience. They became demoralized more readily than their successful colleagues. They tended to complain rather than act.

- Sources of Funds

There were other contrasts in the approach of the two groups to business operations. The successful businessmen were able to find additional capital outside the regular market channels when necessary. Further, they fully understood the restraint they might have to impose on their own living standards in order to plow back a substantial share of profits into the business.

Some of the unsuccessful businessmen, on the other hand, could not strike a workable balance between their personal living standards and the need to reinvest their earnings.

- Accounting Procedures

The data revealed no significant differences between the successful and the unsuccessful firms in regard to records and accounting procedures. Only one of the firms did not employ an accountant to examine the books and prepare a statement once a year or oftener; and some kind of monthly statement appeared to be the general rule. The effective use of accounting records in day-to-day decision making, however, varied considerably.

- Advertising

The successful owners tended to use advertising as a means of stimulating demand when sales leveled off. The unsuccessful, in similar circumstances, were more likely to regard advertising as a cost item that could be dispensed with.

- Customer Credit

In the businesses where sales on credit were important, most operators reported that about one-half their sales were made on credit. In general, both successful and unsuccessful firms seemed aware that laxness in extending credit could be harmful to the business.

- Availability of Credit to the Firm

More unsuccessful than successful businessmen thought that not enough funds were available locally to meet their needs. The shortage was most apparent in the supply of long-term loans.

- Profit Margin

The great majority of both successful and unsuccessful firms did not set a definite profit margin on their products or services. The general attitude was that profit was largely a function of the need to meet competition. This need, it was felt, could be met most effectively with flexible pricing policies.

- Expansion

A majority of the businessmen interviewed expressed a desire to expand in terms of their present products or services only. One had seriously considered diversification as a means of expansion. About one-fourth of the respondents, half of whom were successful, had no interest in expanding.

EMPLOYEE RELATIONS

Most of the firms taking part in the study had at least 3 employees. Many had more than 12, and during seasonal peaks some had 80 or more. More than half the total group were unionized, and most of the larger firms had two or more levels of supervision.

No marked differences between the successful and the unsuccessful firms were found in the area of employee relations. Two general observations may be made, however.

One is that very few of the employees had received their business training in schools. Most of the firms provided informal on-the-job training. They simply put a new worker with an experienced one and hoped that the necessary transfer of learning would take place.

The second point is that the firms interviewed, almost without exception, had an unusually low rate of labor turnover. Even in highly seasonal operations, such as road construction and lumber, the employees seemed to return year after year. The reasons for this low turnover rate were not clear.

CUSTOMER RELATIONS

A majority of the businessmen, both successful and unsuccessful, were willing to go along with the adage that the customer is always--or almost always--right. And even when the customer was wrong, they tried to avoid giving offense.

An important difference between the successful and the unsuccessful businessmen was the greater ability of the successful operators to project themselves in the role of expert in their dealings with customers. Unsuccessful owners were more likely to be overconcerned with technical skills and not aware enough of the social skills needed for successful operation of a business.

ATTITUDES TOWARD THE BUSINESS

The unsuccessful businessmen were about equally divided between those who would like to be on the payroll of a big business and those who preferred their independence. Among the successful businessmen, however, a large majority preferred to maintain their independence.

"I've worked for large companies, and I've worked for small companies," one of the successful operators said. "But I like to work for me the best."

Members of this group may look with some desire on the relative security that big business appears to offer, but they have no wish to submit to the organizational discipline of a large corporation.

There was general agreement among all the businessmen interviewed that success in a small business is likely to come to the man who has the following traits:

He works long, hard hours.

He has the ability to recover quickly and press on in the face of a setback.

He is competitive in both attitudes and actions.

He is willing to take a minimal profit out of his business until he achieves an adequate financial position.

He masters the technical and social skills his operation requires.

The data assembled in the study suggest that there is a "takeoff" or a "slide" point in a businessmen's career. Beyond this point, his motivation is affected by his cumulative experience--success tends to foster success, and failure tends to foster more failure.

To paraphrase one unsuccessful businessman, a merchant who experiences a series of business losses becomes discouraged. He is inclined to let things run down. He loses his resiliency and his enthusiasm for persuading shoppers to become customers. Finally, he reaches the stage where it is a burden to open the store in the morning.

THE BUSINESS ENVIRONMENT

A marked difference was found in the attitudes of the successful and unsuccessful businessmen toward the business environment of their communities. Those who were successful and who were located in the larger centers considered their communities attractive both as places in which to do business and as places in which to live. They believed that the future of their communities was bright.

Successful enterprisers in growing smaller communities felt that expansion in their localities was rapid enough to enable them to compete with business in larger centers. Those who were successful in stagnant smaller communities were aggressive and, in fact, served a much larger area in a highly specialized way. They appeared to have assessed realistically the effects of external forces on their communities, and to have adapted to these changes.

The unsuccessful businessmen in the larger cities were generally critical of the failure of their communities to attract more industry. They complained of too much unionization, or of excessive chain-store competition. The unsuccessful operators in small, nongrowing communities were

much less willing to evaluate their situation realistically and meet the challenge of a changing environment.

Successful respondents pointed out that in return for the benefits they had received, they owed a share of their time and energy to the community. No unsuccessful respondent made a similar point about his civic responsibilities.

ABOUT THE STUDY

The report is based on tape-recorded depth interviews with 30 small businessmen in 13 Montana communities. The following types of industries were included: trade and service, 17; manufacturing, 8; construction, 2; mining, 1; transportation, 1; and printing and publishing, 1. The sample was about equally divided between successful and unsuccessful businessmen.

Washington, D.C.

SMALL BUSINESS ADMINISTRATION
U. S. Government Agency

Management
Research Summary

THE ENTERPRISING MAN

By *Orvis F. Collins* and *David G. Moore* with *Darab B. Unwalla*
Michigan State University, East Lansing, Michigan

HIGHLIGHTS

The typical entrepreneur differs from the big-business executive in that he cannot live within a framework of occupational behavior set by others.

From his early work experiences, the entrepreneur slowly fashions his conception of how skills, money, equipment, and markets can be brought into a profitable combination.

As the business grows, the founder will cease to be the driving force, and a new generation will take over. The way of the entrepreneur will no longer be sufficient or necessary.

What motivates the "enterprising man," or entrepreneur, to strike out on his own and set up a new business enterprise? Is he somehow different from other leadership groups in our society? Is there a pattern of motives, values, and interests that can be identified as "entrepreneurial"? The study reported in this Summary was a search for answers to these questions.

• The Background of the Entrepreneur

Common patterns of childhood experiences found among 110 entrepreneurs cooperating in the study included (1) the orphaned and alone, (2) the poor but honest, (3) those who came off the farm as opposed to those with urban origins, and (4) those whose fathers had made a tentative step toward entrepreneurship.

Many who had left school at an early age did so because of a feeling of restlessness, of "not getting anywhere." The economic factor, though present, did not have the importance usually attributed to it.

• Personality Factors

The personality structure of entrepreneurs was examined by a psychologist using the Thematic Apperception Test (TAT). He reported that dominant themes running through the "typical" entrepreneur's personality included the following: (1) a social value system steeped in middle-class mores; (2) lack of social mobility drives (the will to rise in a social hierarchy, achieve power and status); (3) punishing pursuit of tasks and chronic fatigue: (4) lack of problem resolution; (5) satisfactory relations with subordinates on a patriarchal or patronly basis; (6) unwillingness to submit to authority; (7) perception of male authority figures as shadowy, remote beings, not sought out for help or looked up to as models to be emulated.

One point on which the interview material and the TAT analysis agreed closely was the place of adult figures in the world of the entrepreneur. His relation to these figures, more than any other one factor, sets him apart from the men who spend their lives in large organizations and who accept directives handed down by "leaders." The entrepreneur cannot live within a framework of occupational behavior set by others.

AVAILABILITY OF THE FULL REPORT

Copies of the full report, entitled "The Enterprising Man," may be purchased for $6.00 from the Bureau of Business and Economic Research, Michigan State University, East Lansing, Michigan. Make checks payable to Michigan State University.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington, D.C. 20416.

• Early Work Experiences

The true school for the entrepreneur, according to the report, is the period between the time when he leaves family life and formal schooling and the time when he firmly establishes himself in his own business. The act of entrepreneurship is that of bringing skills, money, equipment, and markets together into a profitable combination. From his early work experiences, the entrepreneur slowly fashions his conception of how this can be done.

Eventually, according to the report, the typical entrepreneur finds the pattern of his life disrupted. There is a sudden or progressive loss of economic security, a loss of the goals and aspirations that have guided him. But it is not the fact of disruption of his life that sets him apart as an entrepreneur. It is that, during this time, there occurred to him the possibility of establishing a business of his own. In a time of crisis, he does not seek for a situation of security; he goes on into deeper insecurity. In a period of fear and doubt, he finds creativity.

• Creation of a New Enterprise

The report names four tasks the entrepreneur must accomplish during the creation of a new enterprise.

1. "Setting up the firm." In this phase, the entrepreneur is finding the money, men, materials, and equipment necessary for getting operations started.

2. "Getting through the knothole." This phase brings long hours of work, low monetary returns, and great uncertainty.

3. "Getting rid of partners." In setting up the firm and getting started, the entrepreneur has many times needed financial and other support; and every individual who has furnished support has in one way or another established a foothold within the firm. The entrepreneur must have--and the TAT analysis indicates that he does have--the kind of character that impels him to drive these "intruders" out.

4. "On the way at last." During this period, the entrepreneur is engaged in expanding, integrating, and structuring his creation. If he has created imaginatively, organized wisely, and made a sustained effort, his firm will take its place within the network of business enterprise.

But the very process of growth will change the nature of the business. The founder will cease to be the driving force, and a new generation will take over the reins. The way of the entrepreneur will no longer be sufficient or necesary.

• About the Study

The study is based on interviews with 110 founders of manufacturing enterprises established in Michigan between 1945 and 1958. Forty of them were given the Thematic Appreception Test by a highly trained psychologist. Secondary sources provided information for the comparison of big-business executives and entrepreneurs.

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personal qualities needed to MANAGE A STORE

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SUMMARY

The man or woman who manages a small store successfully must have personal qualities which will help in working with customers, employees, and vendors. He should have a strong motivation to succeed on his own. Handling the many details involved in a store also calls for an alert mind in a healthy body.

The owner-manager's drive for independence should be backed up by the ability to determine what customers want, the ability to get along with customers, the ability to adapt to change, and the ability to inspire and direct the work of employees. Moreover, the owner-manager should be willing to serve his customers, employees, and community.

In discussing these qualities, the *Aid* points out that the best approach is for a person to be himself. He should build on his strong points and try to improve his weak spots where he can.

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What kind of person should the owner-manager of a small store be in order to cope with customers and products in times of rapid change? He need not be a "superman," a walking encyclopedia, and a magician.

He does need to have personal qualities which will help him to plan for customers, to attract them, to sell them, and to do administrative chores, such as keeping score on the store's income and expenses.

In addition to being healthy and energetic, the man or woman who owns a small retail business should have drive or motivation. Moreover, he or she should be the type of person who can: "read" customers, get along with people, adapt to change, and inspire and direct others. Also, he should be willing to serve.

As you read about these personal qualities, keep in mind that individual owner-managers possess them in varying degrees. Rare is the man or woman who bats 1.000 on all of these qualities. In considering them, moreover, try to pinpoint the ones in which you are strong as well as those in which you need further developments. Your aim should be to build on the former and to improve, where you can, on the latter.

MOTIVATION

The successful manager of a small retail store must first of all be motivated. He must have a strong desire to get ahead. He should feel, as one merchant said, "You can get anything you want if you want it badly enough."

As another merchant expressed it, the owner-manager has to be motivated "to come down an hour earlier in the morning and do his planning. Then he has the day to take care of his customers."

Such retailers like their work. Thus, they pick up extra steam because people tend to do well when they do work which they enjoy.

The strongly motivated owner-manager is an "eager beaver," an achiever. He wants to make good and never loses sight of that objective. He is the hunting hound who pursues his game to the end. He accepts long hours at work. He is uncompromising with every delay. He is impatient with anything that stands in his way. Yet, he is willing to take risks for long term as well as for short term gains. He has confidence that risks based on sound preparation pay off more often than not.

Money is important to this man. He prizes his independence and wants to make enough money to expand his business as well as enough for the comforts of his family.

ABILITY TO "READ" CUSTOMERS

When you look into the success of a small store, you will find an owner-manager who has the ability to "read" his customers. He is able to determine what they want in the way of goods and services and how he can best supply their needs and desires.

The experience of Gerry Golo * provides an example of the ability to read customers. Most of Mrs. Golo's customers live 50 miles away in a metropolitan area. Why do they patronize a small ladies ready-to-wear store in a farming community when they can have their pick of the shops in their city?

They do it because Mrs. Golo knows her customers. She buys with them in mind, as individuals. "This dress can interest Mrs. Jones. Mrs. Thomas will like this other dress," and so on. Refusals are rare when she calls each customer by phone to make known her special purchases.

When John Paul Damon "read" his customers and prospects, he determined that they wanted handsome and reliable products. He built a thriving business in his luggage shop by handling only the best luggage and by telling customers exactly what to expect of the articles they bought. Now, in a city of about 300,000, no one looks at luggage without consulting Mr. Damon first.

In determining and filling customers' needs, keep in mind that the right and proper degree of selling is a subtle and beautiful thing. A good merchant knows that he must sell his customer only as much as the customer needs and can pay for. A good retailer knows that an oversold customer will not be a "repeat." Unless a customer comes back, the cost of bringing him in the first time is too high.

The best salesmen learn their customers by name. An owner-manager should also encourage his salespeople to build a personal following among customers. One young retail salesman built up a personal following by writing 20 letters each day. Each letter discussed some personal preference of the customer, especially when the letter announced a sale or new stock arrivals.

* Names in *Aids* are disguised.

In "reading customers," an owner-manager needs to be able to understand and use technical information. In a service business, such as an appliance repair shop, he must be able to do the work or understand it well enough to hire craftsmen who can do it. In a small store, applying technical information usually amounts to knowing products and coping with the problems connected with their use.

An illustration is provided by the experience of Marvin Koan, owner of a small shoe store. By studying the anatomy of the foot, he became expert in fitting shoes, especially on persons with foot problems. As a result, physicians as well as established customers refer new cutomers to Mr. Koan's store.

Technical understanding can be acquired also by reading in public libraries, attending night classes, and by talking to suppliers' salesmen.

Keep in mind that the more you know about the goods and services you sell, the easier it is to sell them. The confidence the public has in your ability to serve is in direct ratio to the increasing knowledge and experience which you accumulate.

Some technical knowledge concerns costs rather than sales. For example, Ernest Gomez used technical knowledge to cut the cost of alterations in his men's wear store. He devised a system to handle pertinent information about costs, types of clothing, and manufacturers' products. With this system, he cut the cost of his alterations operation as well as he cost of selling. He also reduced purchases of improper styles and colors.

Intuitiveness also plays a part in reading customers. Yet, in these days of computers and moon shots, many store managers deny that intuitiveness plays a part in their decisions and successes. They like to feel that observation and logical conclusions drawn from their records are the main ingredients in their decision-making, especially in decisions that involve buying.

But "seat-of the-pants" reactions do have a part in decisions. Because of his experience, a successful manager feels, for example, that a certain style garment will be a good buy. Or he feels that a certain person is, or is not, reliable. Or he feels that a certain sales procedure will be good or bad.

Statistics about the business are important. You need your records and studies by your accountant that tell you much about style trends, financial expectations, and so on. But don't become bogged down in statistics. Study them and use them always in the light of what they tell you about your operation and your customers. Keep in mind that it is your "sixth sense"—coming from the storehouse of your experiences—which gives you instant confirmation for an idea that you might not receive otherwise.

ABILITY TO GET ALONG WITH PEOPLE

Most people—be they customers or employees—expect to be met half way when they come into a store. They do not come in, for example, to be snarled at by a grouch or to be preached to by a moralist.

Most people do not expect you to make the world over for them. But they do expect understanding, and blessed is the owner-manager who has a sympathetic ear and tries to understand others and their situations.

The Spanish word—"simpatico"—is a good word for this sympathetic ear. When you are "simpatico," you are able to put yourself in the shoes of the other person. You reach a common ground and understand his reactions and thoughts.

The ability to "stand in the moccasins of the other person" helps to put the solution to problems within shooting distance. Often the facts, the figures, the repeated details of a problem become an obscuring device. You can lose sight of the true picture without the ability to become "simpatico."

Maynard Manton, who owns a small store, is an example of being "simpatico." He knows the personal histories and the problems of every employee in his place. He never lets one of them down. Employees respect and trust him even when they have differences of opinion. He believes that he can help a poor employee by taking time to instruct him. In many instances, such persons become trustworthy and loyal and knowledgeable members of his organization. Mr. Manton also knows his customers personally. He cooperates with them on their charge accounts, and very seldom do any of them become a liability.

A sense of fairness is involved in getting along with people. Obviously, you should be fair to your customers and employees. Just as important, you should always give your vendors a "fair shake." As a wise old merchant once said, "When you buy merchandise, don't think that you're getting away with something when you beat a manufacturer down on his price. You can depend on it; he has to get even. And he will get even—on you."

THE ABILITY TO ADAPT TO CHANGE

Trouble lies ahead for the owner-manager of a small store who gets muscle-bound or frozen in any aspect of his business. Times change. Trends often wind up in a dead end. Business goes up and down. You have to expect and prepare for anything.

The successful manager has to have the ability to adapt. He must be able to learn to roll with the punches when things are tough. And when he detects a rising current in the air, he should be able to throw his rudder into the up-draft and ride with the tailwind.

Involved in the ability to adapt are inquisitiveness, imagination, innovation, and perceptiveness.

In order to adapt to change, a manager should be inquisitive. He must have facts about what is going on. He should ask questions about what is happening in his store, in the community, and in his State. Keep an open mind. Be alert to change.

Ask questions about your customers and market area. Check out your merchandise resources. Are your present vendors providing the best products, prices, and service? What do other vendors offer?

An owner-manager should also be inquisitive about his competitors. What do they sell? What services do they offer? At what price?

Be inquisitive about other localities. Read up on what is going on in them. What, if anything, is happening elsewhere that can be adapted to your community?

Imagination is needed in order to develop new ideas. When an inquisitive owner-manager lets his imagination play wth facts and figures, he is on the road to developing new ideas. Don't be discouraged if many of the new ideas prove to be impractical when you analyze them. If you give free rein to your imagination, there is always the chance that the wildest idea may contain the germ of a profitable innovation.

The end product of the ability to adapt is innovation. You combine things in a new way to suit your purpose. Keep looking for ways to develop new approaches, new methods of customer contact, and new ways of serving customers. Never turn down a new approach without giving it some study.

Who knows, one of your new approaches could be a milestone in retailing as was the idea of installment credit, of centralized volume buying, or of manufacturers' shows at retail stores, and of drive-in facilities at stores and banks.

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Perceptiveness—being alert to the road ahead—helps a small retailer when he innovates. You can't forecast the future, but you should plan ahead. Base your plans on what you know about your personnel, your market, and your finances.

It is good practice to draw up several plans for next year, for example, and after evaluating them, use the one that appears most likely to succeed. In such evaluations, you may want to use a device which Thomas Jefferson used for resolving different problems. He would dismiss the problem from his mind and think of other things. After contemplation and relaxation, perhaps overnight, the solution to the problem would often emerge for him.

In adapting to change, decisiveness is important. Failure to act promptly can mean that an opportunity is lost. Decisiveness does not mean "shooting from the hip." Rather, a decisive retailer acts promptly after he gathers the facts, evaluates them, and determines the possible courses of action. In this logical manner, he decides whether to: (1) go ahead with a project. (2) table it until a more appropriate time, or (3) discard it without unnecessary delay.

ABILITY TO INSPIRE AND DIRECT

Some owner-managers adapt to change as long as they operate a one-man store. However, when the change involves hiring employees, they run into trouble. These retailers are short on the ability to work through other individuals.

The successful small retailer, especially as his business grows, must be able to supervise employees. He needs to plan their work, train them for it, and see that they do it properly. He must be able to face employees with their mistakes and help them make the necessary improvements.

A successful owner must also be honest with his employees. If he has a reputation for double-dealing, some employees may try to double-deal themselves. Moreover, good employees may seek employment elsewhere—sometimes with competitors who are known as reliable employers.

Even more important, employees take their cue from the owner-manager. They copy his actions. They find ways to cut corners also when they see their boss indulging in sharp practices. On the other hand, when you are honest enough with yourself to admit your mistakes, employees are more apt to accept correction from you than if you tried to act as if you never made a mistake.

Spelling out policies and practices helps an owner-manager in directing the work of his employees. For example, Sam Solamen has a policy that salesmen are to give the benefit of the doubt to customers who return merchandise.

He set this policy because of an experience which he had when he bought the store. At that time, he checked the store's customer records and found the last purchase that one of his close friends made was more than 6 years ago. When asked why he did not buy from the store, the friend told Mr. Solamen that the previous owner of the store had refused to make an adjustment on a tuxedo that didn't fit. Mr. Solamen figured that the previous short-sighted policy had lost the store about $2,000 at retail because his friend would have bought 15 or 16 suits and accessories over a 6-year period. He assured the friend that he would make future adjustments when needed, and regained a customer.

In inspiring and directing employees, don't be afraid to say, "I don't know," when they ask a question. But do know where to find the answer and help them find it.

Your business is dependent on people—those who are on your payroll. Employees, often more than the owner-manager, represent the store's image as seen by customers.

WILLINGNESS TO SERVE

Many small stores are successful because their owner-managers are willing to serve the people with whom they deal and the community in general. They serve customers by offering merchandise that fills their needs to the best possible satisfaction. They serve their employees by helping them develop their capabilities. They contribute to the community's economy by providing jobs.

The willingness to serve shows up in an owner-manager's actions. For example, Henry Waltham who ran a general store in a farming community helped in his customer's fields at harvest time. One of his specialties was "dowsing" for water. No one in his right mind in the communty would think of drilling a well without getting Henry Waltham to pick the spot by "dowsing" the land with his apple stick.

Manley Shalwood works with Boy Scouts. Early in his business life, he became interested in that movement. He helped thousands of boys in becoming good citizens. Now that they are adults themselves, many of them value his friendship, as did their parents. He does not have to solicit their business. They come to him voluntarily.

Keep in mind that "no man is an island" in a small store. By himself, no man can build a successful retail business.

It's not "blue sky" to ask yourself ever so often "where would my business be without the people of this community?" Then, take time to show your appreciation for the town in which you live and work.

A FINAL WORD OF ADVICE

In considering your personal qualities, if you're thinking about trying to be a man for all people, forget it. Rare is the individual who is strong in all the personal qualities needed to run a business. You may never find such a paragon of virtue and enterprise.

Each person has some of the personal qualities in varying degrees. Thus, the best approach is to be yourself. Build on your strong points. Recognize your weak spots and try to eliminate them where you can.

You can cultivate some of the qualities by observing individuals who seem to be strong in them, by reading, and by attending conferences and courses. In many localities, the Small Business Administration cosponsors such sessions with schools, colleges, universities, and business organizations. For details, contact your nearest SBA office.

But keep in mind that sometimes cultivation is not the answer. For example, an owner-manager may be tremendous at planning and organizing his operation. He may be outstanding at taking care of money. Yet, his aptitude for selling may be so low that trying to cultivate it would be a waste of time. He overcomes this weakness by hiring salespeople. He uses the management principle of building an organization with talents that complement his, rather than with exactly the same talents.

FOR FURTHER INFORMATION

Businessmen interested in exploring further the subject of personal qualities may be interested in the references indicated below. This list is necessarily brief and selective. However, no slight is intended toward authors whose works are not mentioned.

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(Prices are subject to change.)

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